

Conduct a Diagnostic Analysis and Develop a Comprehensive
Strategic Plan for the Maine Lobster Industry
Phase 1: Industry Diagnostic Analysis

Ref: LOB-CS-902

April 9, 2009

Hallowell, ME



Today's Discussion

- ➔ ➤ **10:30 -10:45 Introductions and Overview**
- **10:45-12:30 Moseley Findings**
 - Methodology
 - Fall 08
 - Market Conditions
 - Industry Five Forces
 - Alternative structures/business models
 - Potential Strategic Initiatives
- **12:30-1:15 Lunch**
- **1:15-2:15 Small break-out discussions**
- **2:15-2:30 Break-out presentations**
- **2:30-3:00 Q&A**
- **3:00-3:15 Next steps**

Project Objectives

- **The Maine Lobster industry seeks to design a strategic plan that leverages its strengths and overcomes its challenges. Specifically, it seeks to:**
 - Construct a landscape of best-in-class initiatives in the food/farming/fishery industries
 - Evaluate existing programming efficacy by quantifying the requirements, benefits of participation, and costs
 - Consider management efforts and environmental regulations
 - Construct a landscape of successful business models that increase the value of commoditized products
 - Conduct an opportunity assessment
 - Define and prioritize potential business models that hold the greatest potential for Maine Lobster
 - Develop strategic plan with supporting go-to-market strategies
 - Launch pilot programs, test, refine

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Methodology: Data Gathering & Analysis

- **Task Force Industry Panel Presentations**
 - Portland
 - Rockland
 - Ellsworth
- **Boston Seafood Show**
 - Competitive review
 - Meetings with industry members
- **Fishermen's Forum**
- **Maine International Trade Center**
 - Export statistics
- **Maine Department of Marine Resources**
 - Landings data
- **Maine Lobster Promotion Council**
 - Consumer Segmentation Research, 2005
- **Agriculture & Agri-Food Canada**
 - Benchmarking Study on Canadian Lobster, 2006
- **GMRI**
 - Socioeconomic Survey of New England Fishermen, 2008

Methodology: Stakeholder Interviews

➤ **Harvesters**

- David Cousens, South Thomaston
- Gerry Cushman, Port Clyde
- John Jordan, Long Island
- Bob Baines, South Thomaston/Chair of Lobster Advisory Council
- Kristan Porter, Cutler
- Clive Farrin, Boothbay, President of Downeast Lobstermen's Association
- Bill Adler, Massachusetts Lobstermen's Assoc.

➤ **Dealers**

- MIELDA meeting
- East Coast Seafood, Lynn MA
- Linda L. Bean's Perfect Maine Lobster, Port Clyde ME
- Garbo Lobster
- New Meadows Lobster, Portland ME
- Island Seafood, York ME
- JP Shellfish, Eliot ME

Methodology: Stakeholder Interviews

➤ **Processors**

- Cozy Harbor, Portland ME
- Portland Shellfish, Portland ME
- Shucks Maine Lobster, Richmond ME
- Paturel, New Brunswick

➤ **Manufacturers**

- Hancock Gourmet Lobster, Topsham ME

➤ **Foodservice Buyers**

- Carnival Cruise Lines
- Darden Restaurants
- Weathervane Restaurants
- Summer Shack Restaurants

➤ **Retail Buyers**

- Hannaford
- Market Basket

➤ **Importers**

- ElaFoods

Methodology: Stakeholder Interviews

➤ **Community/Business Support**

- Stonington Lobster Working Group
- Penobscot East Resource Center
- Gulf of Maine Research Institute
- Lobster Institute
- Tom Hammermeister

➤ **Government**

- Speaker of the House Pingree
- Senate President Mitchell
- Chair, Marine Resources Committee, Damon
- DECD Commissioner Richardson
- MITC President Cary
- FAME Representative Emmons
- U.S. Congresswoman Pingree staff representative
- U.S. Senator Snowe staff representative
- U.S. Department of Commerce
 - NOAA
- FDA
- DMR: Darcie Couture, Carl Wilson

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Fall 08: How We Got Here

➤ **The story begins in Spring 2007 – not Fall 2008**

- Maine's harvest was half that of the seasonal average, changing the supply & demand equation drastically
 - Boat price shot up 68% above the average
 - Live market price shot up 46% above the average
 - Tail prices, however, remained stable, reflecting the current inventory costs

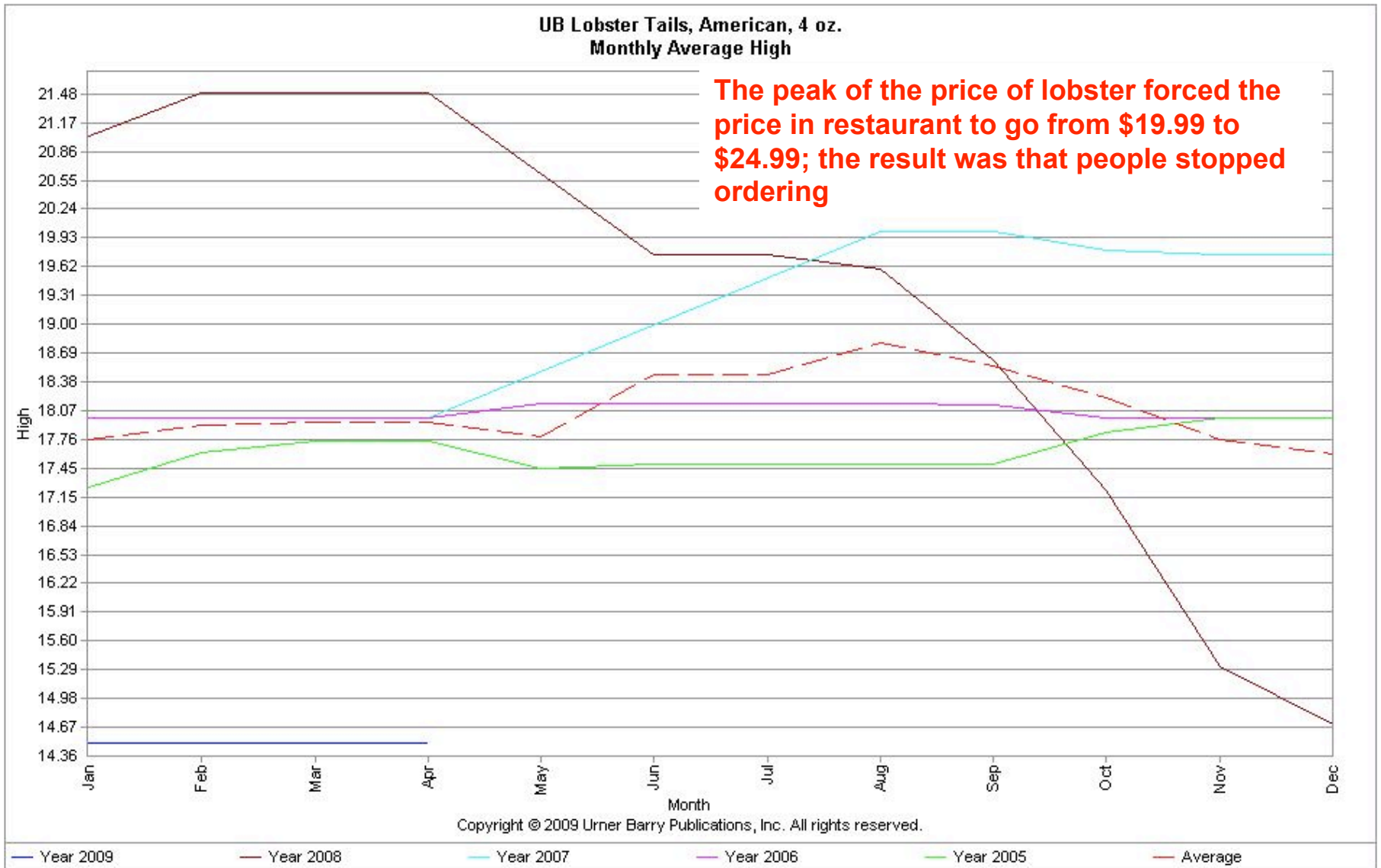
➤ **By the Fall of 2007**

- The marketplace had seemingly adjusted to the reduced supply
 - Maine's harvest was 9% below average
For the year, landings were down 11 MMP, or 15% of prior year
- And prices remained high
 - Tail market price climbed 8%+ over spring price
 - Live market (FOB Boston) price flat compared to prior 4-year seasonal avg.
 - Maine boat price was up 7% over prior 4-year seasonal avg.
- But the Casual Dining segment, the key buyer of processed lobster, was already in decline due to oversaturation, lack of differentiation/innovation, and had started to balk on lobster

Fall 08: How We Got Here

- **By Spring 2008, frozen product inventory was the elephant in the room**
 - Tail prices continue to climb, up 7%+ over Fall '07, despite having vast unsold inventory
 - Live market price was settling down
 - At 50% of Spring 2007 – average historical prices
 - Chain buyers began to balk at differential between live price and tail price
- **By the Fall, buying came to a halt**
 - Chains' customer counts were running below prior year, and purchases for high priced and “market price” items fell off consumer radar, out of fashion as Lehman declared bankruptcy
 - In the processing sector, there was vast unsold frozen inventory; buying for 2009 production did not occur unless the deals were already inked

Fall 08: How We Got Here



Current Situation: Where We Are Now

➤ **2009 is likely to be soft, as well**

- Primary market segments remain soft
- Overall economic climate is weak
 - Wall Street improving, but unemployment at 8.5%
 - Consumers have reigned in discretionary spending
- Inventory levels are far above the norm for this time of year

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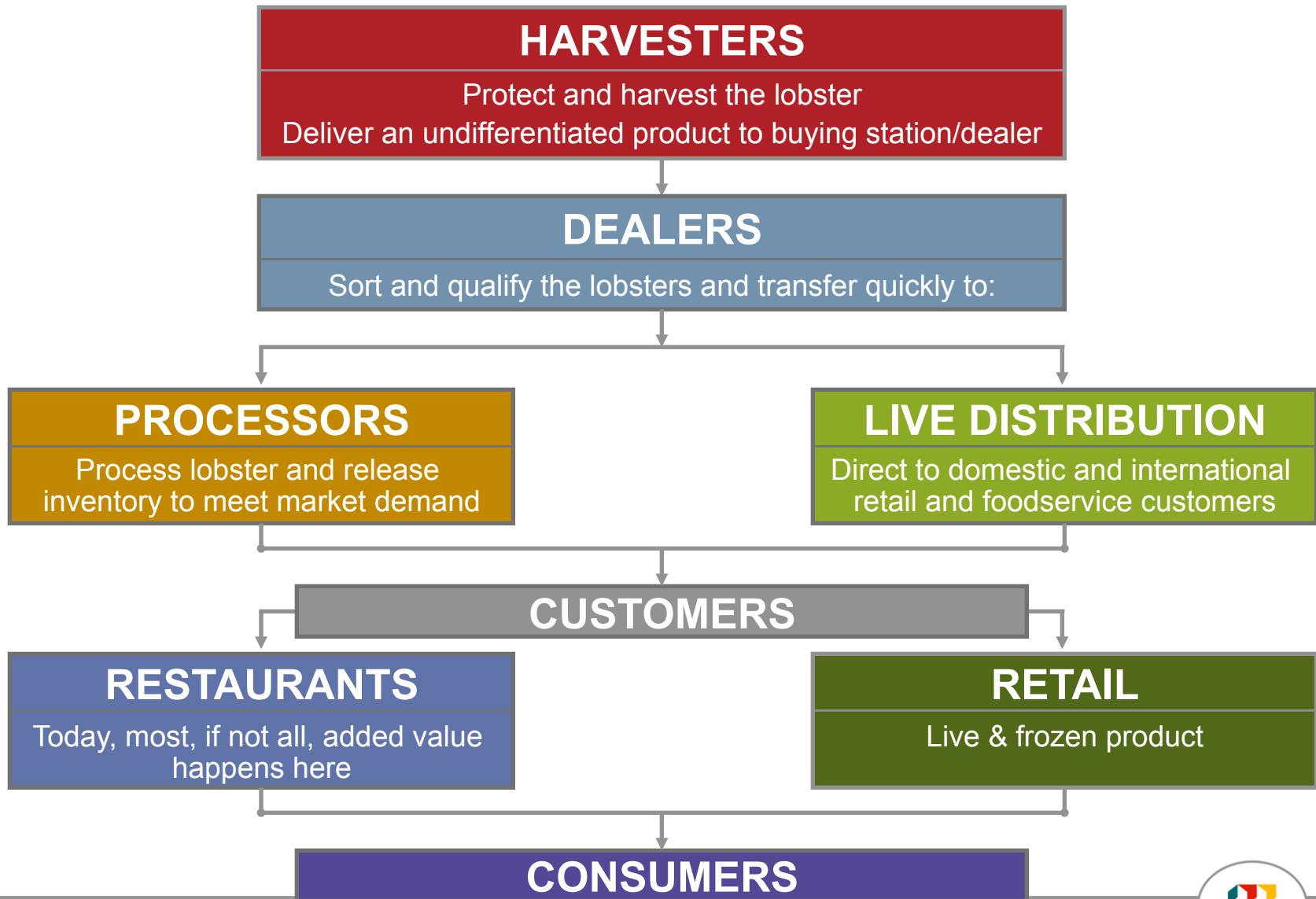
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Market Conditions: Lobster Supply Chain



Market Conditions: Channel & Segment Overview

- **Foodservice is the primary channel for selling Maine Lobster**
 - 80% of all seafood is sold through restaurants
 - 74% of consumers prefer to eat lobster in a restaurant
- **From our qualitative investigations, we identified three primary segments**
 - Casual Dining Segment
 - Domestic: Chain Buyers (Darden: Red Lobster)
 - Fine Dining Segment
 - Domestic: Chain Buyers (Darden: Capital Grille) & Independents
 - Export: Independent Buyers
 - Recreation Segment: Cruise Lines

Market Conditions: Recent Restaurant Results

➤ **Market conditions are poor**

- 7 Casual Dining restaurant (CDR) chains filed bankruptcy in 2008
- Oversaturation in U.S. market; current unit growth is near zero
- Analysts project thousands of store closures in coming years

➤ **Economic conditions forcing CDR to compete directly with QSR chains, addressing consumer behavior drivers, eroding margins**

- Value: “Buy One Steak Dinner for \$10, Get One Free”
- Convenience: Curb-Side Service, Call-Ahead Seating
- Concern is that promotions will erode margins for the long term

Market Conditions: Recent Customer Results



Darden

- \$7B annual sales
- 15% decline in net earnings (quarter ending 2/28/09)
 - Red Lobster: same store sales down 4.6%
 - Capital Grille: same store sales down 19%
 - Longhorn Steakhouse: same store sales down 5.4%



OSI (Outback):

- \$4B annual sales
- Net loss of \$750M (year ending 12/31/08)
 - Outback: same store sales down 9.5%, closed all Canadian stores in Q1 '09
 - Carrabba's: same store sales down 9.4%
 - Bonefish: same store sales down 14%
 - Fleming's Steakhouse: same store sales down 19.6%



Dine Equity

- \$1.6B annual sales
- \$137M net loss (quarter ending 2/28/09)
- Applebee's: same store sales down 5%



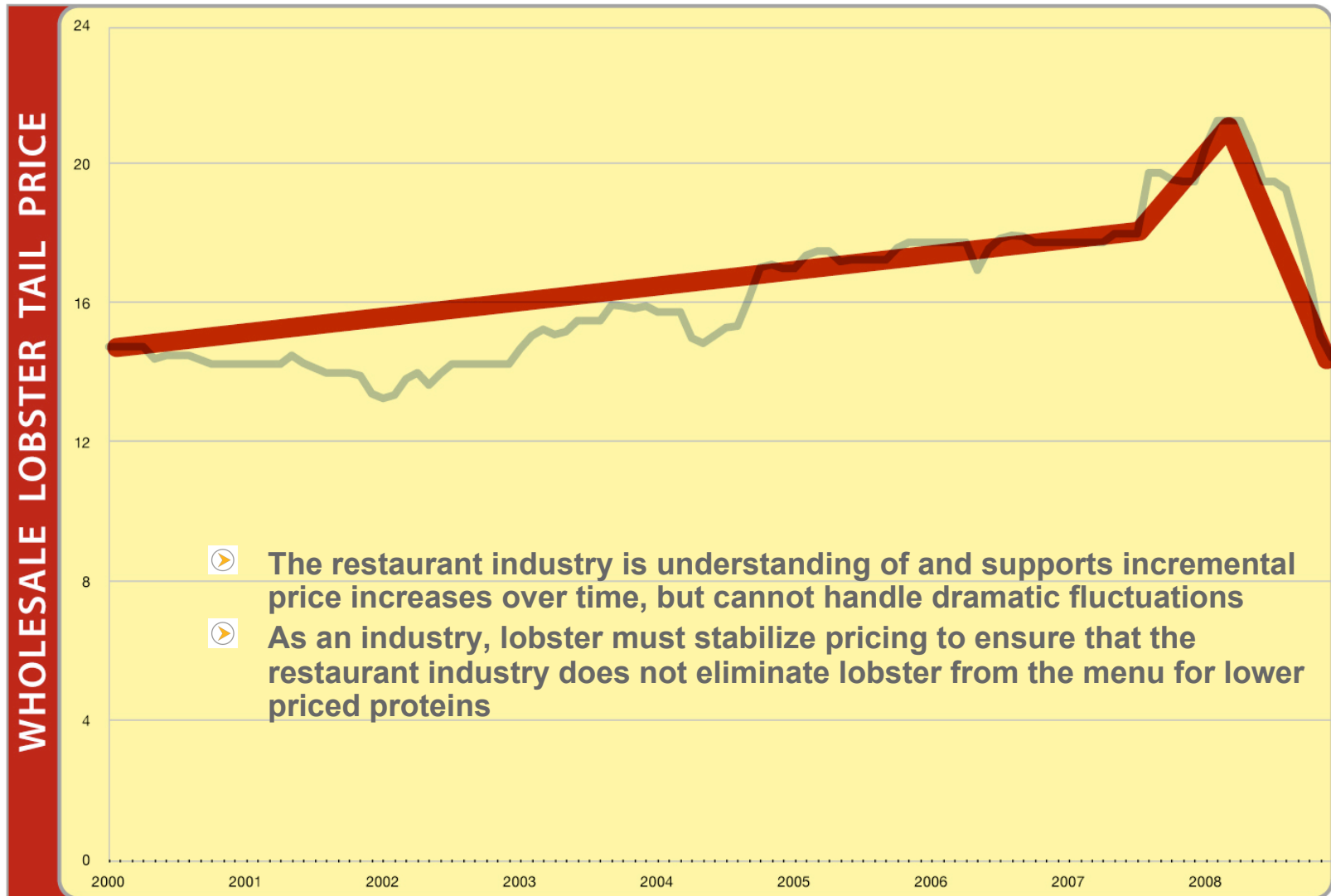
Carnival

- \$12B annual sales
- 9% decline in 2009 y-o-y revenue

Market Conditions: Key Implications

- **Concentration with consolidated buyers weakens leverage**
- **Commodity product trading leaves industry exposed to vast pricing swings**
 - Restaurant operators report that price fluctuations makes lobster very hard to menu consistently
 - Carnival claims to be only cruise line still offering Maine lobster
- **Current harvesting & storage practices prevent year-round supply**
 - Forces operators to source alternative proteins during off-seasons
- **With a broader base of market segments buying a broader base of products, the industry can stabilize its pricing swings**

Market Conditions: Key Implications

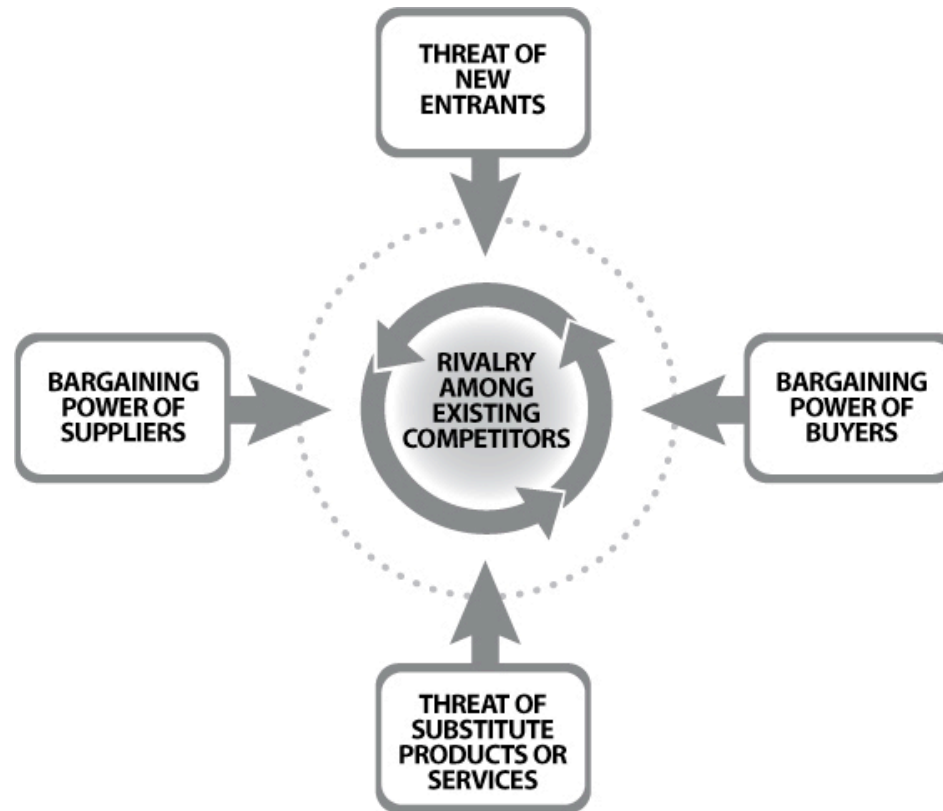


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Five Forces Analysis: Overview

- **Industry structure analysis tool**
 - Evaluate drivers of industry profitability
 - Understand underpinnings of competition



Michael Porter, HBS

Constituent Dynamics: Harvester Network

- **6,000 commercial licensed harvesters**
 - 25% of harvesters land 80% of total catch
- **Harvesting 65MMP valued at \$280M annually**

Constituent Dynamics: Harvester Network

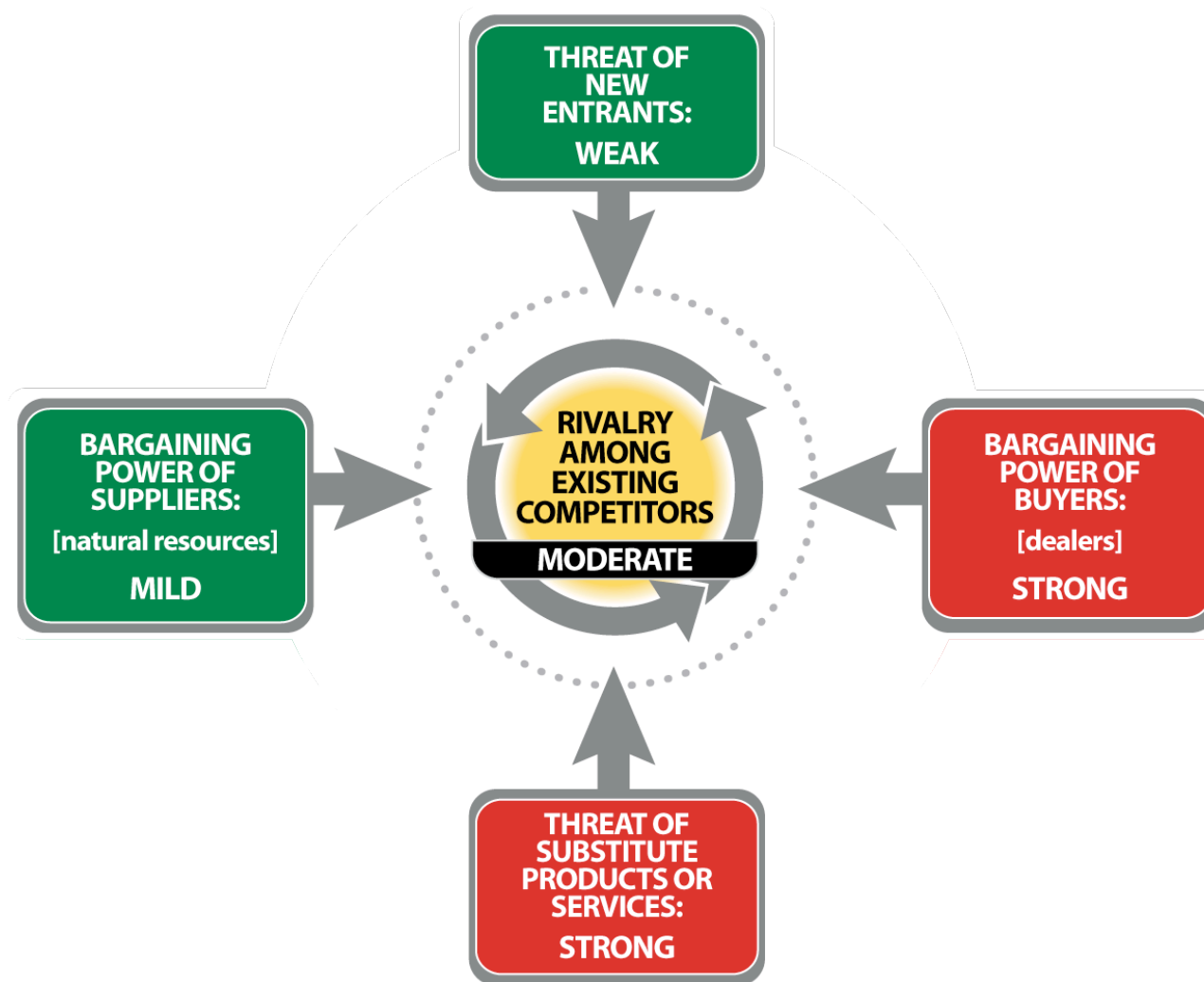
➤ **Key Harvester Concerns:**

- Lack of control over destiny
 - Dealer controls the market
 - The government is not listening
 - True interest in management?
- Inability to charge desired prices
- Lack of data to inform decision-making

➤ **Harvester-Suggested Solutions:**

- Limit Supply
 - Trap limits
 - Shift of fishing season to harvest hard shell product in spring
- Restructured Industry Organization
 - Enhanced budget
 - Determine research priorities
 - Enhanced marketing to increase demand
- Develop Markets
 - Communicate sustainability/MSC or otherwise
 - More processing in Maine

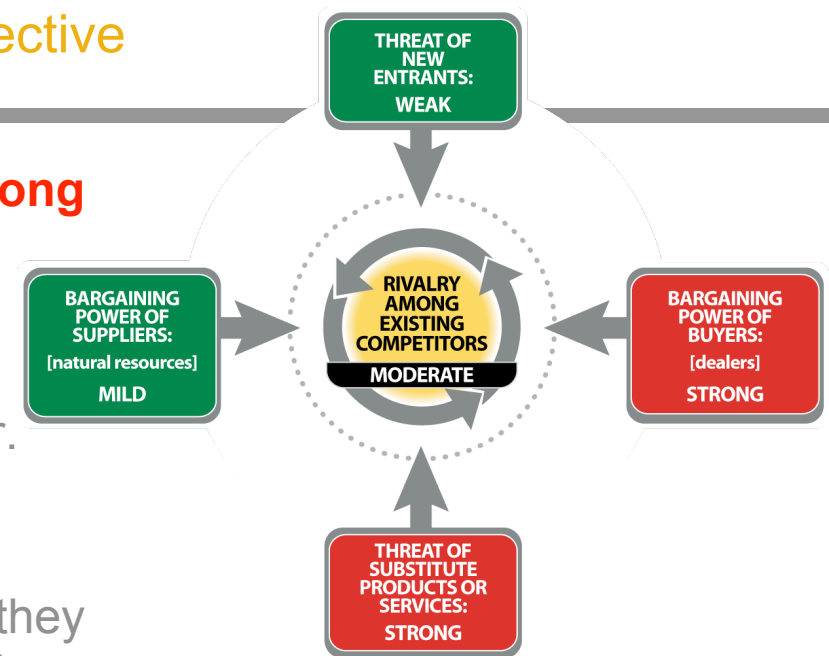
Five Forces Analysis: Harvester Perspective



Five Forces Analysis: Harvester Perspective

➤ Bargaining Power of Buyers (Dealers): **Strong**

- Differentiation: The product is undifferentiated, so buyers can find an equivalent product from multiple sources, thereby increasing their bargaining power.
- Concentration: Because dealers serve as intermediaries to service a relatively concentrated number of chains/retailers, they compete for supply, thereby reducing their bargaining power.
- Price Sensitivity: Because Dealers have significant capital tied up in inventory, and because of verbal contracts to buy whatever their fishermen land, requiring more capital, and because their customers are highly price sensitive, Dealers are highly price sensitive, thereby increasing their bargaining power.

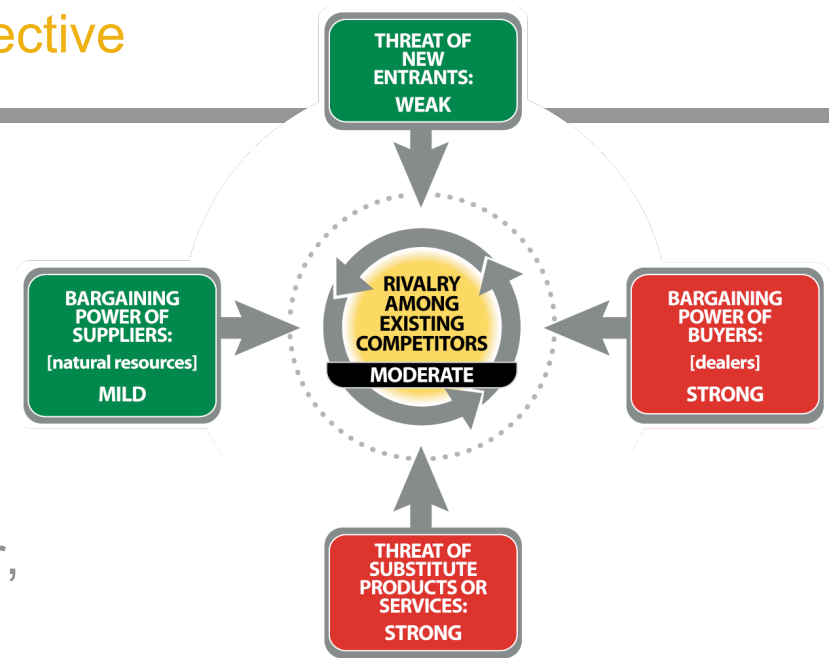


The key Harvester weakness is lack of connection to the marketplace and undifferentiated product

Five Forces Analysis: Harvester Perspective

➤ Bargaining Power of Suppliers (Natural Resource): **Mild**

- Concentration: Abundant supply through industry's sustainable practices; ASMFC ruling: “not overfished, not overfishing.” However, the 2008 PSP threat may have significant implications to the currently abundant supply.
- Government Policy: Various practices limit harvest and ensure sustainability.

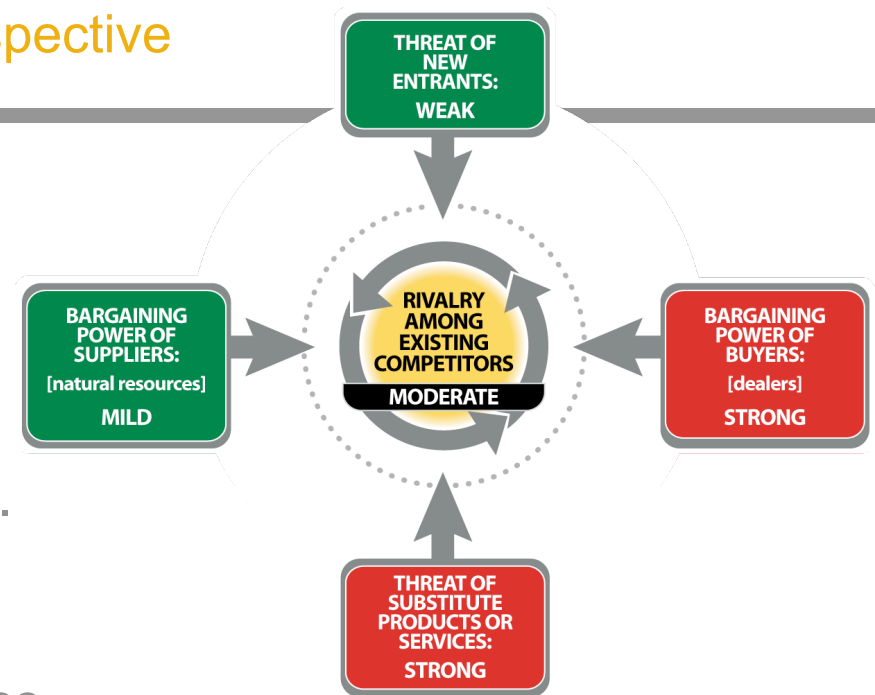


Industry underpinnings are entirely based on continued ample landings; this is also a threat, given the potential for landings declines through disease or toxin (PSP) or increased biodiversity

Five Forces Analysis: Harvester Perspective

➤ Threat of New Entrants: **Weak**

- Government Policy: Limited entry regulation & apprentice program restricts the number of licensed fishermen to relatively stable levels.
- Incumbency Advantage: Current fishermen have preferential fishing territories and cumulative experience that establishes an advantage over new entrants.

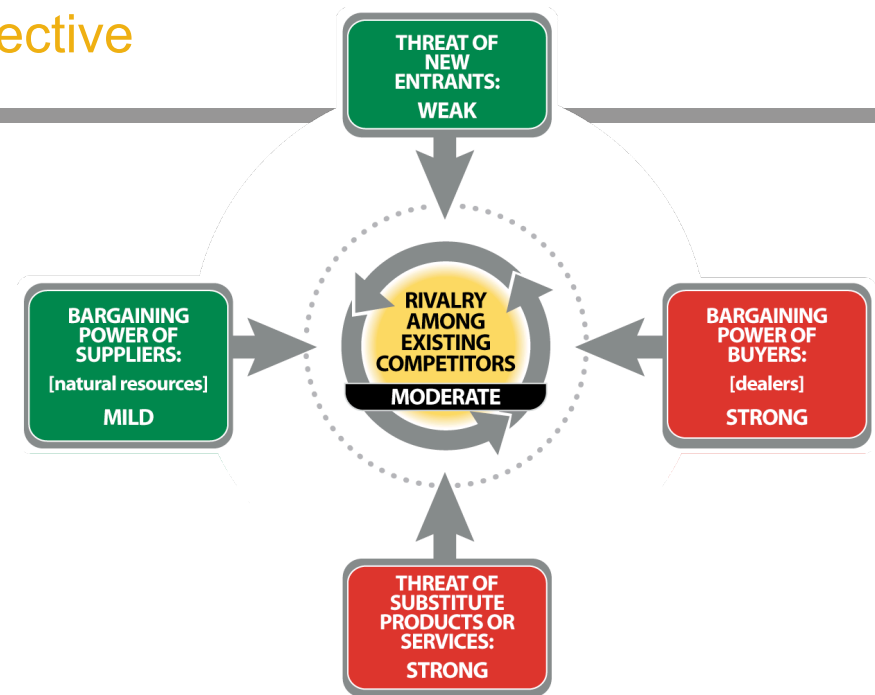


There is limited opportunity for the fishery to see a significant number of new fishermen.

Five Forces Analysis: Harvester Perspective

➤ Threat of Substitution: **Strong**

- Price-Performance Trade-Off: While there is strong end-user demand for Maine lobster, Canadian lobster is often substituted for Maine. In some environments, spiny lobster is substituted for Maine lobster.



When & if farming of lobster or spiny lobster becomes commercially produced and available at competitive pricing levels, this will become a significantly strong threat.

Constituent Dynamics: Dealer Network

- **1,349 dealers in Maine**
 - 463 buy direct from fishermen
- **The role & value of the dealer is in the network, allowing the individual companies to deliver their customer orders**
- **Varying levels of infrastructure investment allows efficient & narrow focus on specific role, which is determined by the market segment served**
- **Significant employer**
 - Estimating 3 - 5 employees per dealer = 4,000 – 6,700 jobs

Constituent Dynamics: Dealer Network

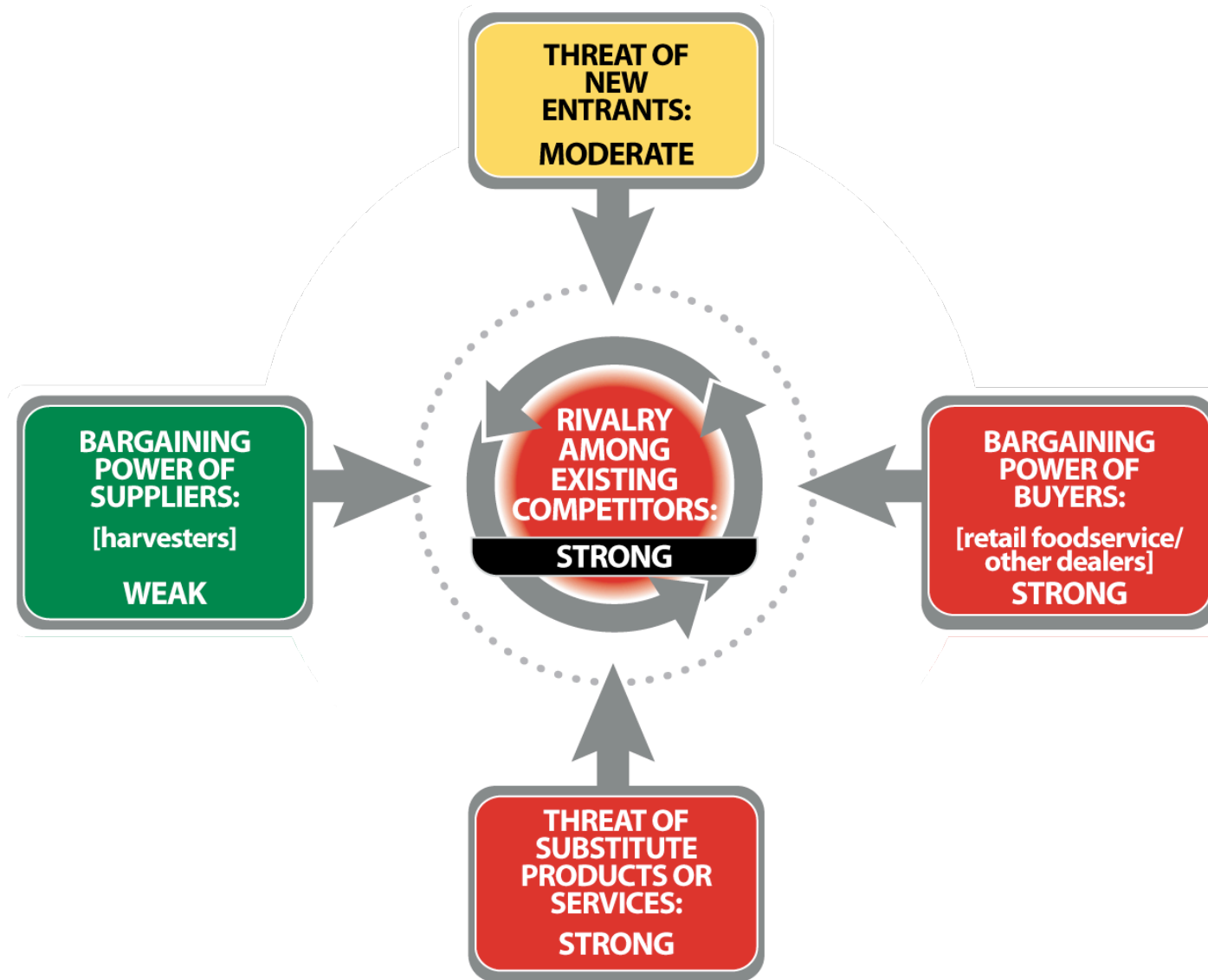
➤ **Key Dealer Concerns:**

- Selling lobster is a game of hot potato
 - Mortality
 - Poor “quality” limits distant markets; forces sale to low-margin processor sector
 - Poor access to credit
- Divisive rather than cooperative relationship with Harvester sector
 - Perceived harvester lack of concern for product quality
 - Paid for every lobster caught
- Not enough development of new markets, market segmentation
 - Maine airports don’t receive wide-body planes to transport lobster; forces travel to JFK or Logan
 - Issuance of health certificates transferring to FDA: \$2M incremental cost
- Maintain current fishing to ensure consistent market supply
- Better access to credit

➤ **Dealer Considered Solutions:**

- Central organization for directing research, promotion, export business development, R&D
- Vertical integration with harvesting role
 - Ownership of both functions
 - Harvesting practices reform to improve product quality

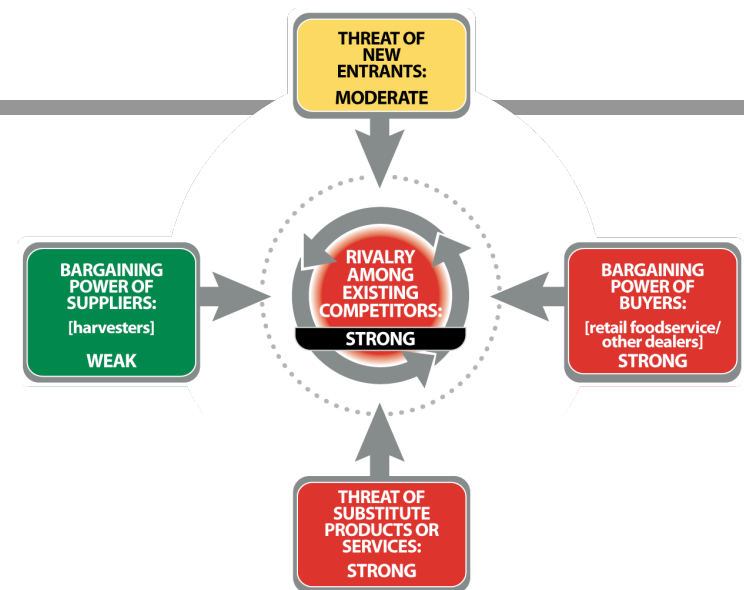
Five Forces Analysis: Dealer Perspective



Five Forces Analysis: Dealer Perspective

➤ Bargaining Power of Buyers (Retailers/Foodservice Operators): **Strong**

- Buyer Concentration: The significant sales volume of high-volume buyers places downward pricing pressure on dealers. High fixed costs and low marginal costs place further pressure on dealers to keep capacity filled through discounting.
- Product Differentiation: Because the product is the same from all sources, buyers play one dealer against the next to reduce their price.
- Switching Costs: Buyers face minimal, if any, switching costs to buy from a different dealer, which places significant pricing pressure on the dealer to maintain the account.
- Price Sensitivity: The high price of lobster and the associated unknown costs of mortality that result from inconsistent harvest quality make buyers shop hard for the best bargain.

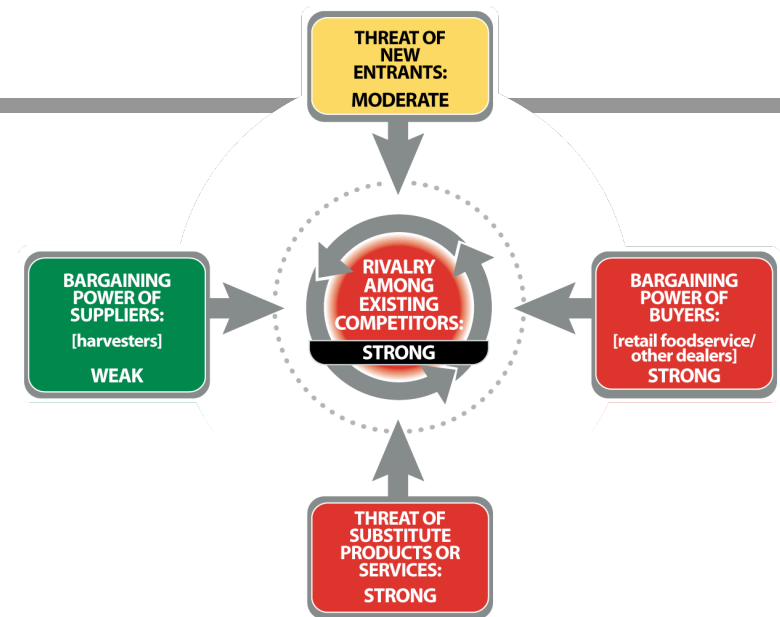


Buyers have such strength because of their connection to the consumer, whose willingness to pay ultimately determines price.

Five Forces Analysis: Dealer Perspective

➤ Bargaining Power of Suppliers (Harvesters): **Weak**

- Concentration: Vast fragmentation of harvesters contributes to limited bargaining power since dealers can buy from multiple sources.
- Dependency: Harvesters are increasingly dependent solely on the lobster fishery for revenue as opportunity in other fisheries has diminished.
- Product Differentiation: Harvesters all offer the same product, largely ungraded, of mixed “quality.”

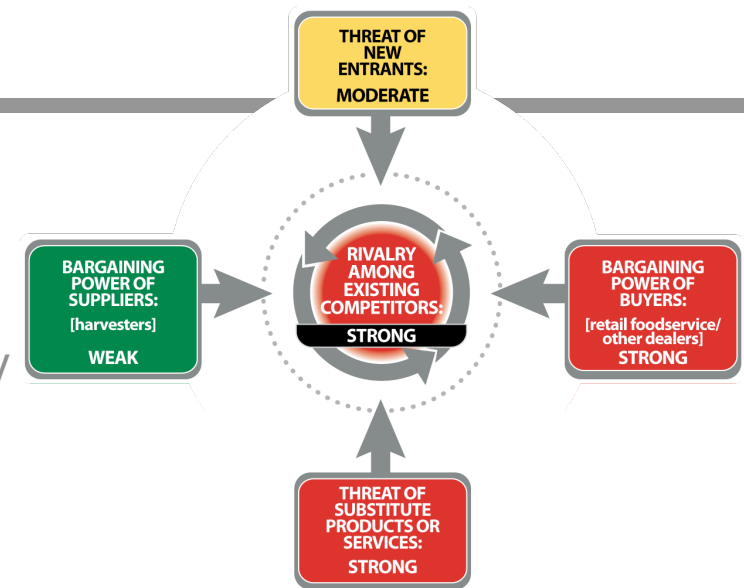


Dealers maintain strong bargaining power by interpreting/connecting market demands

Five Forces Analysis: Dealer Perspective

➤ Threat of New Entrants: **Moderate**

- Capital Requirements: Significant access to cash is critical for inventory mgmt, customer credit terms, supplier payment terms. Generally speaking, access to financing is limited and credit insurance covers only half the product value.
- Demand-side Benefits of Scale: Significant volume capacity allows improved ability to meet vast & unpredictable market demands. This limits the threat of new entry as only those with vast access to capital can seek to take advantage of benefits of scale.
- Customer Switching Costs: Because customers face minimal costs of switching suppliers, new entrants are more likely to enter the market.
- Government Policy: Access to dealer licensing is unhindered and allows straightforward access, enhancing the threat of new entrants.

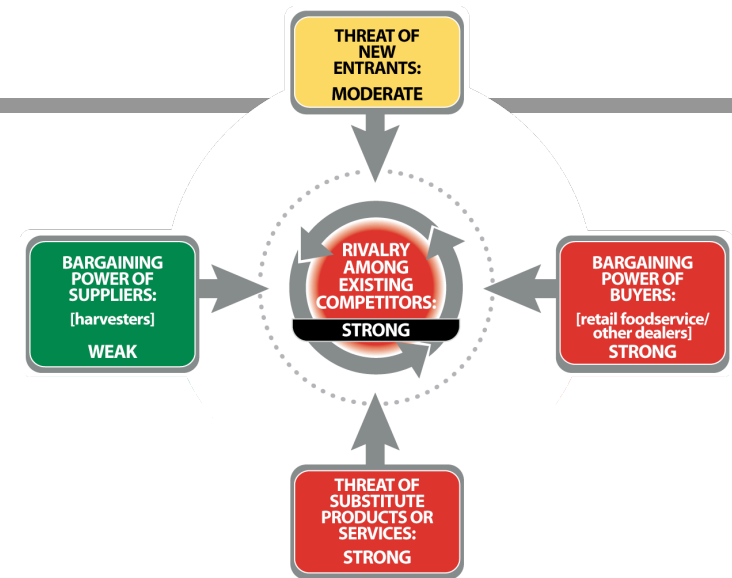


Dealers juggle tremendous cash flow while they gamble on the quality of the catch and the needs of the market.

Five Forces Analysis: Dealer Perspective

➤ Threat of Substitution: **Strong**

- Price-Performance Trade-Off: The network function of dealers could be streamlined and diminished if the functions of grading, holding, distribution were conducted elsewhere in the chain of value creation.
 - Direct-to-consumer markets are an example of substitution to dealers. (Note that such markets are limited, niche channels.)
- Buyer's Cost of Switching: Lack of year-round supply limits dealers' ability to service their customers, while other lobster/seafood products are available year-round.



When Dealers cannot supply the market year-round, buyers find alternatives.

Constituent Dynamics: Processor Network

➤ **3 Processors in Maine; 26 in Canada**

- Estimated capacity of 18MMP in Maine, 80MMP in Canada
- Operating at 50-60% capacity levels
- 2 more processors slated to come on line in Maine in 2009
 - Unknown capacity

Constituent Dynamics: Processor Network

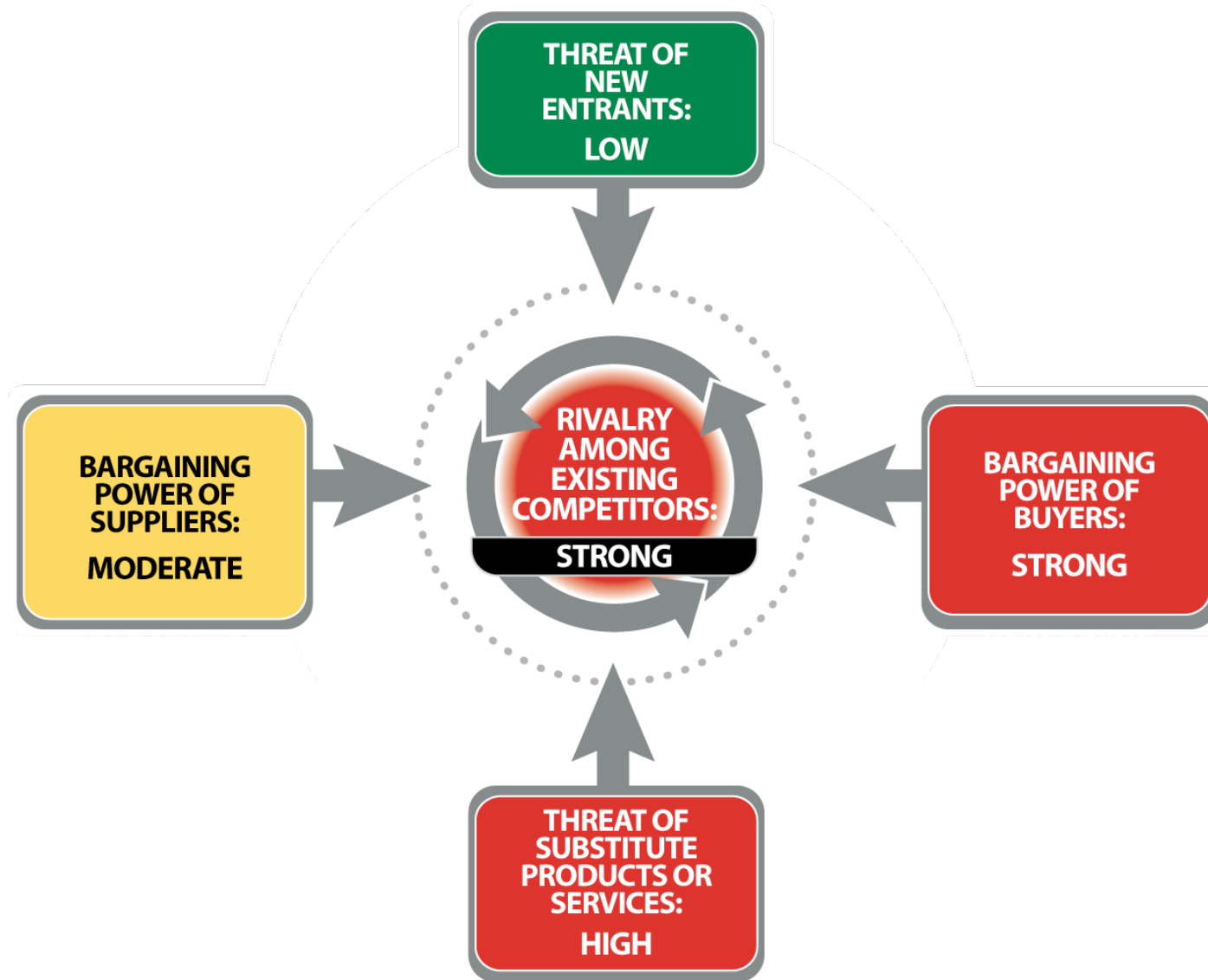
➤ **Key Concerns**

- Maine regulations keep Maine processors from matching Canadian offering, resulting in lost market opportunity
 - Hannaford sought to buy in-shell lobster claws from a Maine company but current “mutilation” regulations kept them from doing so, although they could have purchased tails from the same lobsters
- Not enough development of new markets, market segmentation
- Maintain year-round fishing to ensure consistent market supply
- Reform in subordinated bank credit to support growth of the processors in Maine

➤ **Considered Solutions:**

- Central organization for directing research, promotion, export business development, R&D

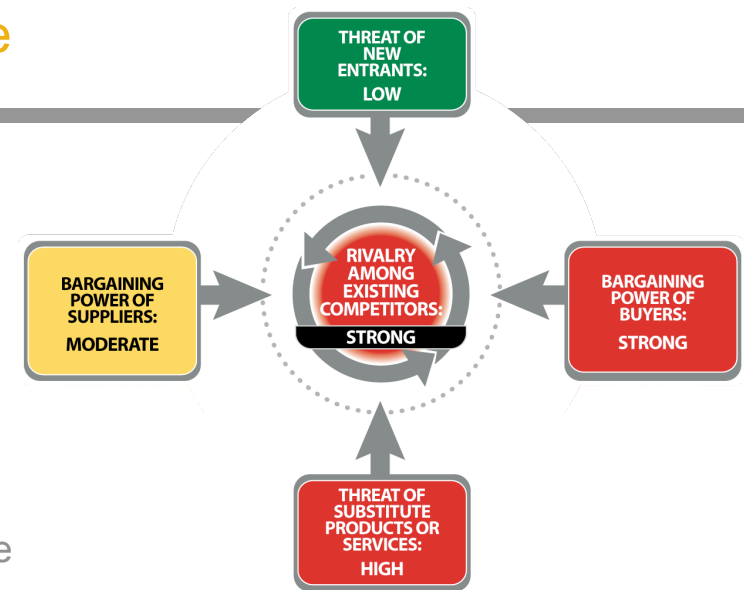
Five Forces Analysis: Processor Perspective



Five Forces Analysis: Processor Perspective

➤ Bargaining Power of Buyers (Restaurant Chains): **Strong**

- Buyer Concentration: The significant sales volume of high-volume buyers places downward pricing pressure on processors. High fixed costs and low marginal costs place further pressure on dealers to keep capacity filled through discounting.
- Product Differentiation: The processor has some opportunity to differentiate in the way of quality, yet the product forms are largely uniform, as defined by the few buyers. This creates a commoditized environment, diminishing processor bargaining power. Maine regulations do not allow processors to offer certain core products that are available from Canadian processors; this further increases the bargaining power of buyers and weakens Maine processors' ability to compete.
- Switching Costs: Buyers face minimal, if any, switching costs to buy from a different processor, which places significant pricing pressure on the processor to maintain the account.
- Price Sensitivity: The high price of lobster make buyers shop hard for the best bargain.

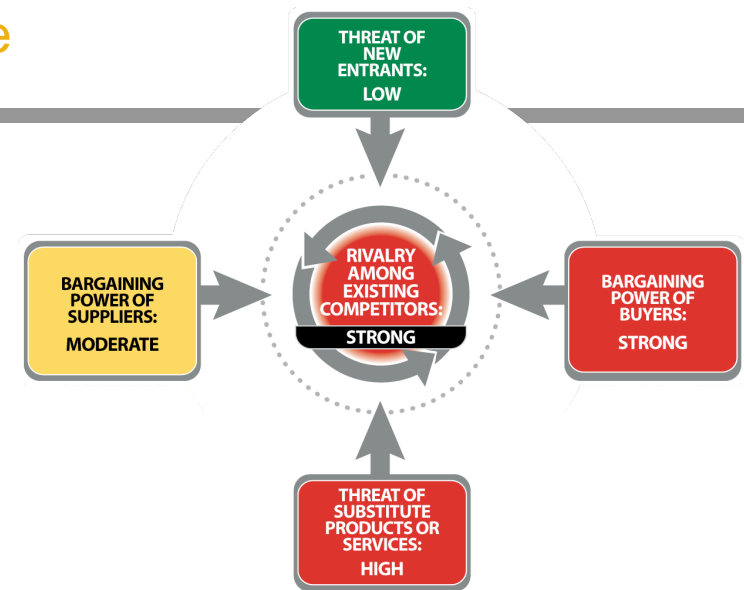


Buyers have such leverage because of their volume demand and because of their connection to the consumer, whose willingness to pay ultimately determines price.

Five Forces Analysis: Processor Perspective

➤ Bargaining Power of Suppliers (Dealers): Moderate

- Dependency: Because of the lack of alternative high-margin markets for the vast harvest quantity and the tenuous value of the product, dealers rely on processors to draw off their excess supply.
- Concentration: Because of the limited supply and excess processing capacity, processors have strong motivation to access supply, which limits their bargaining power.

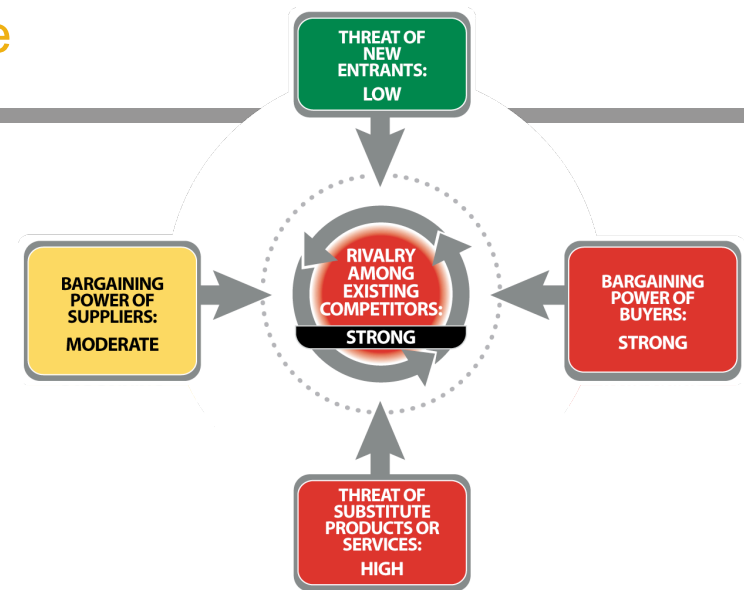


Dealers and processors need each other, existing symbiotically.

Five Forces Analysis: Processor Perspective

➤ Threat of New Entrants: **Low**

- Capital Requirements: The significant costs associated with establishing a new processing plant reduces the threat of new entrants, as do the costs associated with inventory management and credit terms.
- Restrictive Governmental Policy: While access to processor licenses is straightforward, government policies do restrict processors from producing product forms that are standard in the marketplace, as provided by Canadian firms, which reduces the threat of entry.
- Incumbency Advantages: With limited supply of product and vast idle capacity, incumbents have significant incentive to maintain capacity utilization, and they will foster a price-sensitive/competitive environment that diminishes the threat of entrants diminishing their volume.

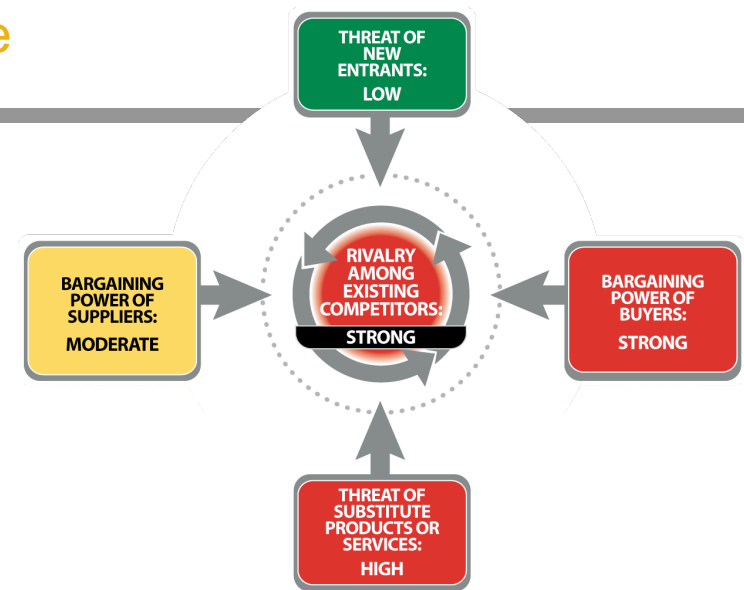


Processors need a strong competitive advantage (low cost production, differentiated products) in order to win against idle capacity

Five Forces Analysis: Processor Perspective

➤ Threat of Substitution: **High**

- Price-Performance Trade-Off: Alternative, less-expensive seafood proteins are increasingly substituted for lobster. Spiny lobster and langostino products also serve as a substitution threat, as do less expensive non-seafood value-added protein forms.
- Buyer's Cost of Switching: Switching featured menu items from Maine lobster to imported shrimp, for example, is relatively inexpensive, considering the cost savings to be gained from the action.



Substitution is the greatest threat facing the industry; its silence has a stealth dampening effect with the potential to radically erode industry value.

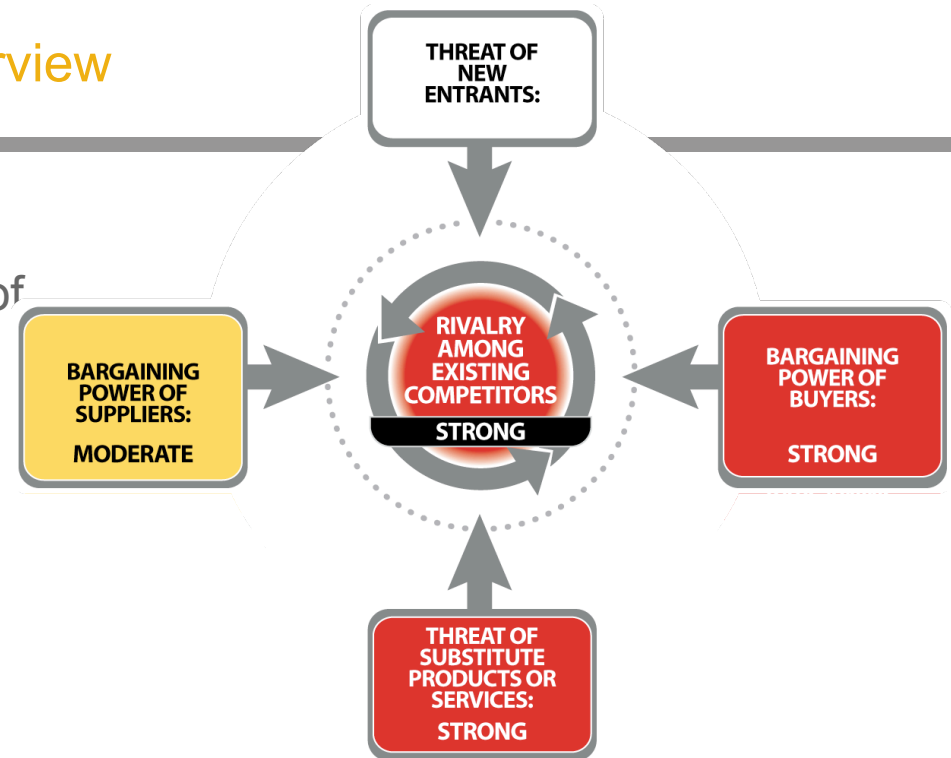
Manufacturing

- **Very little value-added “secondary processing” exists in Maine**
 - Looks Lobster Co.
 - Hancock Gourmet Lobster Co.
- **Or nationally, either**
 - Joseph's Pasta
- **Represents tremendous upside opportunity for Maine lobster industry**
 - Ready to heat, ready to eat

Five Forces Analysis: Industry Overview

➤ Key learnings in industry overall

- Buyer Bargaining Power and Threat of Substitution are **Strong**
 - Buyer Power
 - Undiversified portfolio of markets
 - Undifferentiated product
 - Capital requirements
 - Substitution
 - Canadian Lobster
 - Shrimp/Lesser priced seafood
 - Farmed lobster
 - Inconsistent supply
- Supplier Power is **Moderate**...strong potential to be problematic
 - Supplier Power
 - Variable “quality”
 - Threat of food safety (PSP) or disease



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Alternate Business Models

- **We explored a number of different agricultural and fishery cooperatives to see if there were models, activities, or learnings that may impact our discussions today**
- **We looked at:**
 - Juan Valdez, Colombian Coffee Federation
 - Existing lobster associations and cooperatives
 - Alaska Seafood
 - (certified) Wild American Shrimp
 - Ocean Spray
 - Canadian Lobster organization
 - Norwegian Seafood Export Council
 - Cabot Creamery
 - Citadelle
 - Chignik Sockeye Salmon Fishery
 - FishServe (NZ)
 - Australian-Prawn Fishery Management Committee
 - Milk
 - Soy

General Observations

- **Organizational structures are varied:**
 - Run by the state, with significant economic benefit to the state
 - Run by the growers with profit sharing benefits
 - Cooperatively run by organization and state
- **As are funding sources**
- **All make considerable investments in marketing**
- **Within fisheries, emerging initiatives in the northeast, as identified by the Northeast Fisheries Science Center (NOAA), have found:**
 - Role of government is best limited
 - Organizational design decisions should be made by stakeholders
 - Need for clearly identifiable and measurable criteria for evaluating the success of cooperative efforts

(Certified) Wild American Shrimp Inc



- **Southern Shrimp Alliance started in 2002 to create national voice for 8 states of shrimp fishermen and processors**



- certified -
**WILD
AMERICAN
SHRIMP**

differentiated

relevant to

COMPETITIVE POSITION



PROGRESSION OF ECONOMIC VALUE

CUSTOMER NEEDS

undifferentiated

Irrelevant to

market

PRICING

premium



Florida Department of Citrus (FDOC)

➤ An executive agency of the Florida Citrus Agency

FDOC manages citrus industry which employs 76,000 people and provides \$9.3B annual economic impact to state



Florida Department of Citrus is governed by board appointed by the governor of FL

Activities financed by tax paid by citrus growers on each box of commercial citrus

Scientific research & development and economic and market Research budgeted \$27.7M

Marketing & PR budget at \$30.2M

University of Florida Citrus Research & Education Center helps industry with developmental needs

Competitive sectors include
Fresh fruit, juices

Sunkist



➤ An agricultural cooperative for over 100 years



Sunkist

differentiated

COMPETITIVE POSITION

undifferentiated
market



PROGRESSION OF ECONOMIC VALUE

relevant to

CUSTOMER NEEDS

Irrelevant to

PRICING

premium





➤ An agricultural cooperative since 1930





differentiated

relevant to

COMPETITIVE POSITION



PROGRESSION OF ECONOMIC VALUE

CUSTOMER NEEDS

undifferentiated

Irrelevant to

market

PRICING

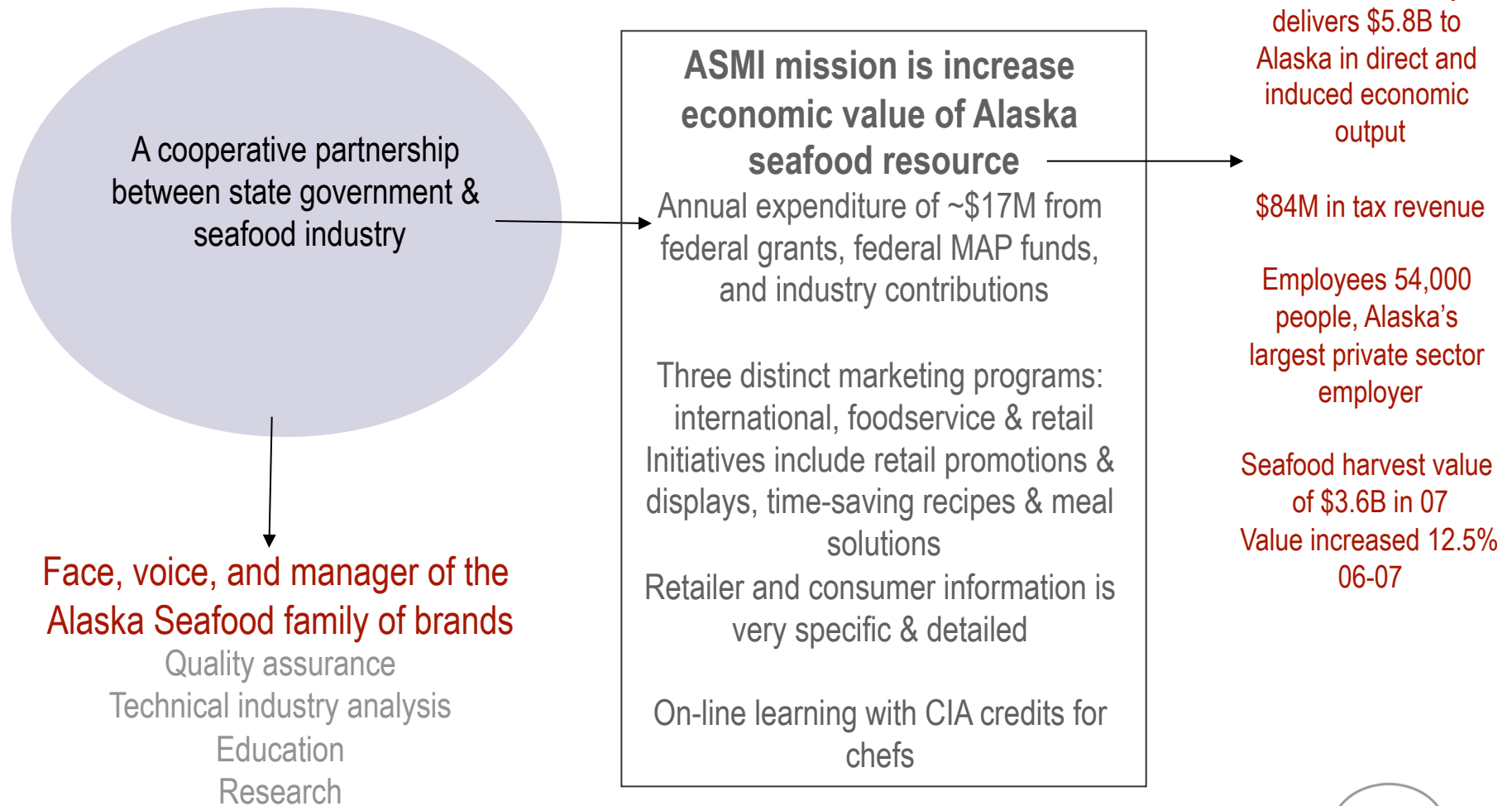
premium



Alaska Seafood Marketing Institute (ASMI)



- A public corporation established over 20 years ago by state law as Alaska's official seafood marketing agency





Alternate Models: Key Implications

- **Clear opportunity for Maine Lobster to organize around increasing economic value and contribution to stakeholders and the State**
- **What's the right model for you and the part of the industry you represent?**
- **Path forward will be part of our next discussion**

Today's Discussion

➤ **10:30 -10:45 Introductions and Overview**

➤ **10:45-12:30 Moseley Findings**

- Methodology
- Fall 08
- Market Conditions
- Industry Five Forces
- Alternative structures/business models



■ **Potential Strategic Initiatives**

➤ **12:30-1:15 Lunch**

➤ **1:15-2:15 Small break-out discussions**

➤ **2:15-2:30 Break-out presentations**

➤ **2:30-3:00 Q&A**

➤ **3:00-3:15 Next steps**

Strategic Initiatives

- **We have identified 12 initiatives, and we want your inputs today to prioritize these to 3 for our next stage analysis, opportunity sizing, and strategic planning**
- **We think all 12 may be in your future, but as an industry, we need your help defining the most important initiatives for consideration**
 1. New management entity – Marketing focused
 2. New management entity – Marketing & research (science & market)
 3. New management entity – Marketing & research (science & market) & product innovation (food, medical, non-food)
 4. Market segmentation analysis: short-term market conditions
 5. Market segmentation analysis: opportunities
 6. Product quality improvement
 7. PSP risk management
 8. Competitive product strategy
 9. Product research & innovation
 10. Biology & environmental research strategy
 11. Marketing communications: brand strategy
 12. Marketing communications: sustainability strategy

Strategic Initiative #1: New Management Entity – Marketing Focused

- **Development of new management entity, with consideration of existing assets and identification of critical needs, including funding levels and governance structure.**
- **Entity would become brand manager for Maine Lobster and set strategy for:**
 - Market research, market segmentation
 - Market focused activities: retail, foodservice, international
 - Mitigate impact of sales declines within an individual segment and reduce concentration on segments with consolidated buyers
 - Diversify sales & marketing initiatives across multiple sectors to ameliorate the concentration of power
 - Potential for retail channel reform
 - Develop Education/Entertainment/Experiences
 - The Lobster Brand
 - Overcome threat of substitution by defining and building demand for “Maine Lobster” brand
 - Communicate existing, compelling assets of industry & its products
 - Traceability
 - Define the growing importance to consumers/customers
 - Define how to communicate sustainability practices

Strategic Initiative #2: New Management Entity – Marketing & Research

- **All activities in 1 (Marketing), plus Research, including consolidated efforts to understand and direct these elements, following the development of strategic prioritization criteria:**
 - **Resource Management**
 - Environmental Health
 - Pollution control
 - Pesticide control
 - Biological Health
 - Disease Control
 - **Food Safety**
 - Biological exploration/research re PSP
 - **Trap Reduction/Effort Reduction**
 - Need to better understand benefits: Tenant's Harbor testing

Strategic Initiative #3: New Management Entity – Marketing, Research & Product Innovation

- **All activities in 1 (Marketing) and 2 (Research), plus Product Innovation**
 - Develop commercialization strategy for food & non-food products, considering utilization of existing assets and the potential creation of new
 - Research Chefs
 - R&D Lab
 - Technology & ingredient development
 - Production Facility (small scale, multiple lines)
 - Investigate the opportunity for developing manufacturing capacity to bring value-added production into Maine

Strategic Initiative #4: Market Segmentation Analysis: Short-Term Market Conditions

- **Investigate and analyze short-term market conditions and construct initiatives to overcome projected soft 09**
- **For example, build live markets within day's drive of Maine**
 - Philadelphia/NYC/Boston/Hartford
 - Certified Maine Lobster
 - Chef support
 - Retailer support
 - Consumer public relations

Strategic Initiative #5: Market Segmentation Analysis: Opportunity Assessment

- **Investigate and analyze market conditions and develop longer-range opportunity assessment focused on new markets with added value products to diversify customer base**
- **Imagine the situation if Maine lobster was:**
 - Menued for its health benefits to the health-conscious fast casual restaurant segment (Panera, Qdoba)
 - Marketed for its sustainable harvesting practices to the nation's culinary schools & young culinary innovators (headlines in *Saveur*, *Gourmet*, *Food & Wine*)
 - Redefined through market segmentation: lobster legs as premium product
 - Presented in its raw form to the independent sushi restaurant segment (10,000+ units)

Strategic Initiatives #6 - 8

6. Product Quality Improvement

- Reducing mortality, increasing quality
 - Harvesting reform that delivers higher-value products
 - Transportation reform
- Seasonality Initiatives

7. PSP Risk Management

- Food safety
 - Biological exploration/research re PSP to ensure food safety
- Communication strategy for trade and consumer markets

8. Competitive Product Strategy

- Designed to overcome substitution threats
 - Differentiated product mix opportunity: short, medium and long-term
 - Explore reform of mutilation law as it applies to processed lobster to encourage ability to offer added-value products and forms
 - Parity with Canadian offerings
 - Shift to USDC from FDA—Congressional delegation action required
 - Increase of cost to US exporters is much too high and not substantiated by cost
 - Investigate technology development for long-term storage facilities that hold softer shell product, allowing year-round supply

Strategic Initiatives #9 - 12

9. Research & Innovation Strategy

- Develop commercialization strategy to increase differentiation & value
 - Research Chefs
 - R&D Lab
 - Technology & ingredient development
 - Production Facility (small scale, multiple lines)

10. Biological & Environmental Research Strategy

- Develop comprehensive approach to research initiatives, following the development of strategic prioritization criteria
- Resource Management
 - Environmental Health
 - Biological Health
 - Disease control
- Food Safety
 - Biological exploration/research re PSP

11. Marketing Communications: Brand Strategy

- Develop strategy to overcome threat of substitution by defining and building demand for “Maine Lobster” brand
- Communicate existing, compelling assets of industry & its products

12. Marketing Communications: Sustainability

- Maine-centric, Brand-centric, MSC, USDC, NOAA, other
 - Define the path forward

Evaluative Matrix

		Rank	Revenue/ Profit Potential	Asset Efficiency	Strategic Differentiation	Ease of Implementation
CHOOSE ONE	1	New management entity – Marketing focused				
	2	New management entity – Marketing & research (science & market)	1	✓	✓	✓
	3	New management entity – Marketing & research (science & market) & product innovation				
RANK THESE ITEMS IN ORDER OF IMPORTANCE:	4	Market segmentation analysis: short-term market conditions	2	✓	✓	✓
	5	Market segmentation analysis: opportunities				
	6	Product quality improvement				
	7	PSP risk management				
	8	Competitive product strategy				
	9	Product research & innovation				
	10	Biology & environmental research strategy				
	11	Marketing communications: brand strategy	3	✓	✓	✓
	12	Marketing communications: sustainability strategy				

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Phase ②: Opportunity Sizing

➤ **There are three activities in Phase II:**

- **Preliminary Opportunity Sizing**
 - Determine “how big is big” for the top three of the identified opportunities through market segmentation analysis
 - Estimate preliminary cost requirements of launching each approach
 - Weigh cost/benefits of each approach
- **Develop Business Models**
 - Construct business models to support identified opportunities
- **Draft Strategic Plan**
 - Develop short- and long-term go-to-market strategies for all three prioritized opportunities

Phase ③: Implementation

- **The activities in Phase III, to be specifically defined & budgeted at the conclusion of Phase II, may include the following:**
 - **Customer Workshops**
 - Introductions & concept testing with key buyers/customers at our Learning Center facility
 - Plan refinements, optimizations
 - **Industry Presentations**
 - Outreach communication of strategic plan to industry members
 - **Market Pilot Testing**
 - Facilitation of initial program launch in the marketplace